



MIDWEST INDEPENDENT BANK

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February 10, 2014

Submitted via <http://www.regulations.gov>

Mr. Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. OP-1472
Federal Reserve Policy on Payment System Risk;
Procedures for Measuring Daylight Overdrafts

Dear Mr. Frierson:

Midwest Independent Bank appreciates the opportunity to provide comments in response to the Federal Reserve Board's (Board's) policy statement regarding proposed changes to part II of the Federal Reserve Policy on Payment System Risk (PSR policy) related to the procedures for measuring intraday balances in financial institutions' accounts at Federal Reserve Banks (Reserve Banks).

Midwest Independent Bank is a Bankers' Bank headquartered in Jefferson City, Missouri that provides correspondent services to over 600 respondent community banks of all sizes and charter types throughout the Midwest.

As an organization, we very much support the Federal Reserve's continued promotion of safety and efficiency improvements to the payments system. However, we respectfully express concern regarding the proposed consolidation of commercial and government ACH debits and credits to post at 8:30 a.m. ET in lieu of the current 11:00 a.m. ET posting of debits and 8:30 a.m. ET posting of credits.

As a servicer for many small, community based, financial institutions, we settle activity for a large number of net debit receivers. Indeed during certain calendar cycles, there can be a disproportionate dollar value of debits posting to such institutions on any given day. Earlier posting of ACH debits on such days would very likely result in daylight overdrafts unless the institution maintains inflated balances with the Federal Reserve Bank in lieu of other overnight investment opportunities. Keeping funds outside the Federal Reserve would require an early a.m. return of funds to account for the proposed earlier posting of ACH (and check) in order to prevent such overdrafts. This could prove both challenging and costly; either through the staffing of such activity or through the rate negotiations with capital market sources to ensure timely return of funds. Further, though current policy

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allows for interest to be paid on Federal Reserve balances, there is no assurance the rate paid on such balances will remain competitive.

As a correspondent, we hold a significant level of respondent balances, as agent, within an Excess Balance Account (EBA) at the Federal Reserve Bank of St. Louis. These dollars can be transitioned quickly and timely to cover earlier debit posting, but such reliance would preclude respondents from choosing to place those funds anywhere but the Federal Reserve Bank or face the risk of daylight overdrafts on high debit days. Additionally, the EBA option may not always be available as the related amendment to Regulation D (Reserve Requirements of Depository Institutions) in May 2009 noted this to be a "temporary" change to the regulation.

The above summarizes our greatest concerns with the proposed changes. Midwest Independent Bank very much applauds the Federal Reserve's efforts to review current practices, policies and procedures in order to identify payment system improvement opportunities, but would suggest there is a need to further review the settlement activity of small, community based financial institutions in order to more fully understand the realistic impact of the proposed changes to those institutions.

Again, Midwest Independent Bank appreciates the continued opportunity to comment on this and other proposed policy changes. Please do not hesitate to contact me at snoll@mibanc.com or 573-556-1335 with any questions you may have regarding our comments.

Best regards,

A handwritten signature in black ink, appearing to read "Sheila Noll", written in a cursive style.

Sheila Noll
Executive Vice President/COO